

ORIGINAL

THIS AMENDMENT:

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0000073537

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6009

Arizona Corporation Commission

DOCKETED

2007 JUN -1 P 4:41

GLEASON PROPOSED AMENDMENT #1

JUN -1 2007

AZ CORP COMMISSION
DOCKET CONTROL

DATE PREPARED: June 1, 2007

COMPANY:

Arizona Public Service Company

DOCKETED BY

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DOCKET NOS:

E-01345A-05-0816, E-01345A-05-0826 and E-01345A-05-0827

OPEN MEETING DATES: June 13, 2007

AGENDA ITEM: U-1

Page 13, between lines 26 and 27 INSERT:

"4. Construction Work in Progress

APS proposed an adjustment to include \$261 million Construction Work in Progress (CWIP) account balance as of June 30, 2006 in rate base. We find that this adjustment as set forth herein below is reasonable and appropriate and will adopt it."

Page 63, lines 3 through 6 STRIKE:

"We believe that APS' cash flow problems will be sufficiently addressed through our adoption of Staff's forward looking PSA and the higher base cost of fuel and purchased power that we are adopting in this Decision. (See discussion below)"

Page 63, lines 16 through 17

STRIKE: "Accordingly, we will not adopt APS' proposed adjustments to increase its cash flow."

INSERT: "However, we are concerned that even with our adoption of Staff's forward looking PSA and the higher base cost of fuel and purchased power that we are adopting in this Decision, APS' cash flow problems may not be sufficiently addressed. We agree with APS that there are rate-making adjustments that can be used to alleviate APS' current cash flow problem, while at the same time protecting ratepayers. We find that APS should be allowed to include the \$261 million CWIP account balance as of June 30, 2006 in rate base in this proceeding. This will allow APS to improve its cash flow by approximately \$20 million after taxes, but will not create additional earnings for the Company. It will also reduce future revenue requirements from ratepayers. We find that this ratemaking adjustment to the historical test year is appropriate."

Page 68, line 4, after "imprudent," INSERT "the inclusion of CWIP in rate base,"

Make all conforming changes

1-CWIP